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State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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September 22, 1989

TO: Board of Oil, Gas and Mining

THRU: Dianne R. Nielson, Director *[Signature]*

FROM: Lowell P. Braxton, Associate Director, Mining *[Signature]*

RE: Cane Creek Mine, Moab Salt, Inc., M/019/005, Grand County, Utah

The operator, Moab Salt, Inc., has requested a self-bond for this property. The Division recommends that the Board deny the request for a self-bond. A self-bond for this operation subjects the state to an unacceptable risk for the following reasons:

1. High surety amount: \$9,700,000.
2. Long life of operation (100 years) and the inability to perform contemporaneous reclamation provide exposure to the state through several commodity price cycles.
3. Substantial surface disturbance exists in the form of buildings and evaporation ponds. Salvage of portions of the buildings may be possible, but physical removal of the evaporation ponds with attendant salt clean up will require a major reclamation effort and expense.
4. Juxtaposition of facilities to the Colorado River poses potential for state and interstate environmental problems, with attendant exposure to the state, should reclamation not be accomplished by the operator.
5. The site is also directly below and visible from Dead Horse Point. Hence, any problems concerning reclamation will be highly visible and controversial.
6. Bonds proposed by the operator to collateralize a portion of the \$9,700,000 surety amount aggregate \$75,000 - an unacceptably small proportion of the total. Furthermore, the \$75,000 in surety with other agencies is required for reclamation and royalty costs which are not included within DOGM's reclamation surety requirements.

vb
cc: O. Gushee, Moab Salt, Inc.
MI78/28